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RUEHBJ/AMEMBASSY BEIJING 2194
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RUEKJCS/JOINT STAFF WASHDC
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001341

SIPDIS

STATE FOR SCA/CEN, EEB

E.O. 12958: DECL: 10/08/2018

TAGS: [PREL](#) [ECON](#) [EINV](#) [ENGR](#) [EPET](#) [TX](#)

SUBJECT: TURKMENISTAN: LOCAL CONSTRUCTION COMPANY COMPLAINS
ABOUT NONPAYMENT BY ENERGY FIRM

Classified By: Charge d'Affaires a.i. Sylvia Reed Curran for reasons 1.
4 (B) and (D).

¶1. (C) SUMMARY: The director of the only private Turkmen construction company has complained about nonpayment for its renovation of office space, allegedly at the behest of a U.S. energy firm. The energy firm, Midland Oil and Gas, is actually a UK entity with U.S.-based management. The work, performed without a contract, was completed in February 2008, but since then only a token payment has been transferred to the construction company. The procuracy advised the construction company to inform post about the matter before filing a lawsuit. Midland's local representative was dismissive of the claim, stating that the construction company acted prematurely when it began the work without a contract. At the same time, he said, Midland wants to maintain a good reputation in the community and would eventually resolve the matter out-of-court. END SUMMARY.

¶2. (C) Batyr Agayev, the director of the privately-owned Turkmen company "Bally Construction," asked to meet with poloff to discuss a business dispute about payment for an office renovation project completed for Midland Oil and Gas UK ("Midland"). Agayev assumed Midland was a U.S. company because he met with with two Midland officials who were based in the U.S. (Note: According to its website, Midland is a UK entity, but its only functioning office is in New York.) In January 2008, Agayev met with the visiting Midland officials to discuss the renovation of office space in an existing building. Bally quickly put together a design for the space that was approved by the Midland officials. Agayev said the Midland officials were in a hurry to get the office refurbishment completed, so he agreed to begin the work without a written contract. He added that he had expected a U.S. oil company would be trustworthy and reliable about payment for such work.

¶3. (C) By the end of February, the work was completed. According to Agayev, Midland officials inspected the work during a subsequent visit to Ashgabat and were satisfied, but asked for more time to pay because Midland was not yet registered to do business in Turkmenistan. In May, Midland transferred a USD 10,000 payment to Bally's account, but Agayev claims that USD 139,000 remains owed. In August, Bally decided to dismantle the work it had completed in

Midland's office space, but the building's landlord objected because the lease provided that the renovation would be completed at Midland's expense in lieu of the first six months rent. Beginning in August, Midland began paying monthly rent to the landlord, although Midland has never occupied the space, which still lacks carpeting and furniture. Agayev said that the procuracy instructed him to contact the Embassy about the matter before he could file a lawsuit in order to avoid offending anyone and perhaps help reach a solution. He said he was at a loss at how to collect payment from Midland and that he planned to proceed with filing the lawsuit.

¶4. (C) Poloff also met with Midland's local agent, Archinhan Bayramgeldyev, who helps with logistical arrangements for Midland officials during their visits. He was aware of Bally's complaint, but commented that there was no contract and therefore, "it is Bally's problem." He added that there was no agreed budget for the renovation work and that Bally had acted prematurely in going ahead with the project. Bayramgeldyev also mentioned that Midland's funds are tight due to the global financial crisis, and that Midland was only paying "minimum expenses." But, while saying that the lack of a contract meant there are "no formal relations" between Midland and Bally, Bayramgeldyev also acknowledged that it was important for Midland to have a good reputation locally in order to do business here. He suggested that the dispute with Bally would be resolved and that Bally would be "satisfied." However, in the same breath, he mentioned that Midland will probably never occupy the office space, but

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instead pursue plans to build its own office building.

¶5. (C) COMMENT: If Bally's allegations are true, it looks like the company, which normally only does work for the Turkmen government, has been taught a lesson about the importance of contracts and the complexity of dealing with foreign firms. It is interesting that the Procuracy wanted Bally to talk with the Embassy, to avoid creating any misunderstanding, before filing a lawsuit. Given Bally's apparent connections with the government, its claim will likely receive a favorable hearing by the courts. Midland's agent, while seemingly unconcerned about Bally's claim, nonetheless acknowledged that an arrangement with Bally would need to be reached in order to preserve Midland's reputation.

By filing the lawsuit, Bally could bring some pressure on Midland to settle the dispute more quickly. END COMMENT.
CURRAN